

Message Text

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ACTION AF-10

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TO SECSTATE WASHDC 5008
INFO AMEMBASSY LONDON
AMEMBASSY BONN

LIMITED OFFICIAL USE SECTION 1 OF 2 ACCRA 6467

DEPT ALSO PASS AID/AFR/CAWA; LOHEON FOR SEITZ

E.O. 11652: N/A
TAGS: MIIDWN EFIN, IMF, GH, UK, GW
SUBJ: DONORS' ATTITUDES TOWARD RECONSTITUTED SMC
REQUESTS FOR ASSISTANCE

REF: ACCRA 5672

1. SUMMARY: THE GOVERNMENT OF GHANA HAS APPROACHED
WITH VARYING DEGREES OF FORMALITY, THE MAJOR WESTERN
DONORS WITH AID REQUESTS, SEEKING PARTICULARLY SHORT-

TERM BALANCE OF PAYMENTS SUPPORT. WHILE GENERALLY EN-
COURAGED BY THE PRESENT OPPORTUNITY FOR ECONOMIC CHANGE,
DONORS PREFER TO AWAIT FURTHER ECONOMIC POLICY ANNOUNCEMENTS AND
THE OUTCOME OF GHANA'S DISCUSSIONS WITH THE IMF
BEFORE PROVIDING NEW ASSISTANCE. THE UK, PARTICULARLY
DESIROUS TO SHOW SUPPORT FOR THE NEW GOVERNMENT, IS PRO-
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VIDING SOME FOOD AID AND MAY OFFER A SMALL AMOUNT OF
PROGRAM AID EVEN BEFORE DISCUSSIONS WITH THE FUND ARE
CONCLUDED, AS AN EARNEST OF THIS DESIRE. END SUMMARY.

2. UK VIEWS; (A) GENERAL POLITICAL. AT THE AUGUST 4
LOCAL DONORS'S MEETING, THE UK HIGH COMMISSIONER

(HOST AND CHAIRMAN) OFFERED HIS VIEWS ON THE NEW GOVERNMENT OF GHANA AND THE PROSPECTS FOR NEW ECONOMIC POLICIES. HE DESCRIBED THE PRESENT SUPREME MILITARY COUNCIL (SMC) TEAM AS NOT MERELY "MORE CAPABLE OF SOLVING GHANA'S ILLS" THAN ITS PREDECESSOR, BUT INDEED MORE SO THAN ANY PRESENTLY POSSIBLE ALTERNATIVE GOVERNMENT. ANY FURTHER CHANGES NOW, HE FELT, WOULD NOT BE "STABILIZING." THIS GOVERNMENT COULD IMPLEMENT NEW ECONOMIC MEASURES, "IF THE GHANAIAAN POPULATION WAS WILLING TO ACCEPT THEM." ON THE POLITICAL SIDE THERE HAD BEEN SIGNIFICANT CHANGES IN PEOPLE AND POLICIES. ON THE ECONOMIC SIDE, THERE HAD ALSO BEEN CHANGES IN PERSONNEL, BUT FEWER POLICY CHANGES TO DATE.

(B) ECONOMIC: DEVELOPMENTS INCLUDED: (1) THE ARRIVAL OF AN IMF TEAM, ALTHOUGH THE EXACT NATURE OF GHANA'S REQUEST FOR ASSISTANCE WAS NOT YET CERTAIN; (2) THE APPOINTMENT OF A NEW FINANCE COMMISSIONER, WHICH, HOWEVER, WAS NOT EXPECTED TO RESULT DIRECTLY IN ANY IMPORTANT CHANGE IN POLICY GOALS. THE GOVERNMENT WAS LOOKING TO ECONOMIC PLANNING COMMISSIONER DR. ABBEY TO PRODUNE RESULTS; AND (3) A FOUR-PART REQUEST TO THE UK FOR ASSISTANCE FROM HEAD OF STATE AKUFFO AND DR. ABBEY.

(C) AID REQUESTS AND RESPONSES. (1) FOOD AID. THE BRITISH HAVE AGREED TO CONVERT A PRE-COUP PLEDGE FOR LIMITED OFFICIAL USE

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5,000 MT OF EMERGENCY FOOD TO THAT AMOUNT OF WHEAT TO BE SOLD TO THE FLOUR MILLS. THIS NON-EMERGENCY USE WAS AUTHORIZED IN RESPONSE TO GOG ARGUMENTS THAT THERE WAS NO LONGER ANY GREAT EMERGENCY NEED IN THE NORTH WHILE THERE WAS A SERIOUS BALANCE OF PAYMENTS NEED.

(2) EXPORT CREDIT. DR. ABBES VISITED LONDON AT END-JULY FOR GENERAL DISCUSSIONS AND SPECIFICALLY TO SEEK AN INCREASE IN THE QP MILLION POUND EXPORT CREDIT GUARANTEE DEPARTMENT LOAN TO GHANA (ACCRA 5286); NO DECISION HAD APPARENTLY YET BEEN TAKEN, BUT THE HIGH COMMISSIONER UNDERSTOOD THAT A FURTHER CREDIT WOULD BE FORTHCOMING PROVIDED THAT THE GOG MADE A SUBSTANTIAL FURTHER PAYMENT AGAINST ITS PAST OBLIGATIONS TO ECGD.

(3) PROGRAM AID. IN DISCUSSIONS HERE, DR. ABBEY SOUGHT A POUNDS STERLING 15 TO 20 MILLION PROGRAM LOAN. COINCIDENTALLY, THE REGULAR THREE-YEAR TRANCHE OF UK CAPITAL (PROJECT) AID, SET AT 17 MILLION POUNDS, WAS DUE TO BE ANNOUNCED THIS YEAR. UK OFFICIALS HAD ALREADY BEEN CONSIDERING DEVOTING PART OF THIS TO REHABILITATING EXISTING INFRASTRUCTURE BY FINANCING IMPORTS OF SPARE

PARTS. THE UK MISSION, ACCORDINGLY, PROPOSED CONVERTING THE CAPITAL TO A PROGRAM LOAN. LONDON AGREED, BUT SUCH AID MUST BE GIVEN "IN CONTEXT OF THE IMF." SOME SMALL AMOUNT, SAY ONE MILLION POUNDS MIGHT BE MADE AVAILABLE BEFORE AN IMF STAND-BY AGREEMENT WAS ACTUALLY SIGNED.

THIS WOULD BE USED TO IMPORT SPARE PARTS FOR CRITICAL TRANSPORT AND PORT HANDLING EQUIPMENT.

(4) SUPPORT GOG APPROACH TO IMF. THE BRITISH PROVIDED A "DIPLOMATIC RESPONSE" TO A GHANAIAN REQUEST THAT THE UK SUPPORT GHANA IN ITS APPROACH TO THE IMF. (D) LONDON ATTITUDE. UK OFFICIALS HERE HAVE TOLD US SEPARATELY THAT THEY WERE SURPRISED BY THE WARMTH OF LIMITED OFFICIAL USE

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RESPONSE AND THE DESIRE OF OFFICIALS IN LONDON TO BE FORTHCOMING SO PROMPTLY. DR. ABBEY MADE A VERY GOOD IMPRESSION IN CALLS ON MINISTERS IN LONDON AND TED ROWLANDS, MINISTER OF STATE IN THE FOREIGN OFFICE MIGHT VISIT GHANA THIS FALL, IF ALL GOES WELL HERE. (THE BRITISH HAVE NOT TOLD THE GHANAIANS OF THIS POSSIBLE VISIT.)

3. FRG. (A) AID SOUGHT. THE GHANAIAN GOVERNMENT HAD TAKEN A QUITE DIFFERENT APPROACH IN SEEKING AID FROM WEST GERMANY. THE FRG REPRESENTATIVE AT THE DONORS' MEETING SAID LT. GEN AKUFFO ON JULY 24 SENT TWO CLOSE FRIENDS

TO GERMANY TO PERSUADE HERMES, THE FRG EXPORT GUARANTEE AUTHORITY, TO LIFT ITS BAN ON GUARANTEEING PRIVATE COMMERCIAL LOANS TO GHANA AND THE BANK OF GHANA HAD ACTUALLY PAID A SMALL PART OF ITS DM 11 MILLION DEBT TO HERMES. THE TWO ENVOYS HOPED TO CALL ON FORMER PRIME MINISTER WILLY BRANDT TO SEEK HIS PERSONAL SUPPORT. THEY ALSO

PLANNED TO CALL ON THE HEAD OF THE AFRICAN DEPARTMENT IN

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INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02
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TO SECSTATE WASHDC 5009
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DEPT ALSO PASS AID/AFR/CAWA; LONDON FOR SEITZ

THE FOREIGN OFFICE, WHO HAD SERVED EARLIER AS FRG
AMBASSADOR TO ACCRA. FINALLY, THEY PLANNED TO CALL AT
THE MINISTRY OF ECONOMIC COOPERATION TO TRY TO GET UN-
ALLOCATED PROJECT FUNDS SWITCHED TO PROGRAM LOANS.
(B) FRB ATTITUDE. AS UNDERSTOOD IN ACCRA, ANY NEW FRG
AID WOULD BE DEPENDENT ON THE OUTCOME OF GHANA'S DIS-
CUSSIONS WITH THE IMF. ASSUMING A SATISFACTORY OUTCOME,
THE PERHAPS DM 15 MILLION OF THE DM 40 MILLION IN THE
1978 CAPITAL AID BUDGET COULD BE MADE AVAILABLE FOR COM-
MODITY AID. HOWEVER, THE PRESENT POSITION IS THAT THERE
CAN BE NO TALK OF 1978 CAPITAL AID UNTIL HERMES IS PAID
IN FULL. THE GOG HAD NOT REQUESTED FOOD AID AND THE FRG
WOULD NOT PROVIDE SUCH AID NOW.

4. JAPAN. HEAD OF STATE AKUFFO HAD ASKED THE JAPANESE
AMBASSADOR TO INCREASE AID IN GENERAL. WHILE PROJECT
AID COULD GROW, NO PROGRAM AID WOULD BE COMING AND IN ANY
CASE, NOTHING WOULD BE DONE PRIOR TO THE OUTCOME OF THE
IMF DISCUSSIONS.
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5. CANADA. THE HIGH COMMISSION HERE DID RECEIVE AN
INFORMAL REQUEST FOR A CREDIT FACILITY AND TOLD THE GOG
TO RAISE THE MATTER DIRECTLY WITH CANADA'S AUTONOMOUS
EXPORT CREDIT GUARANTEE DEPARTMENT.

6. IBRD. WE DO NOT KNOW WHAT THE GOG MAY HAVE ASKED
THE WORLD BANK. WE DO UNDERSTAND FROM THE RESIDENT
REPRESENTATIVE HERE THAT WHILE SEVERAL LOANS (E.G., DLS
15 MILLION FOR THE NATIONAL INVESTMENT BANK) COULD BE
APPROVED VERY QUICKLY, THESE ARE STILL "ON ICE" (ACCRA 2017)
PENDING THE OUTCOME OF DISCUSSIONS WITH THE IMF.

7. COMMENT. THUS, WHILE ENCOURAGED BY THE PROSPECTS
FOR CHANGES IN ECONOMIC POLICY, MOST WESTERN DONORS ARE
AWAITING FURTHER ECONOMIC POLICY CHANGES AND ESPECIALLY
THE OUTCOME OF THE IMF DISCUSSIONS BEFORE TAKING ANY
NEW AID DECISIONS. HOLMES

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